HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA

CANADA MORTGAGE AND HOUSING CORPORATION

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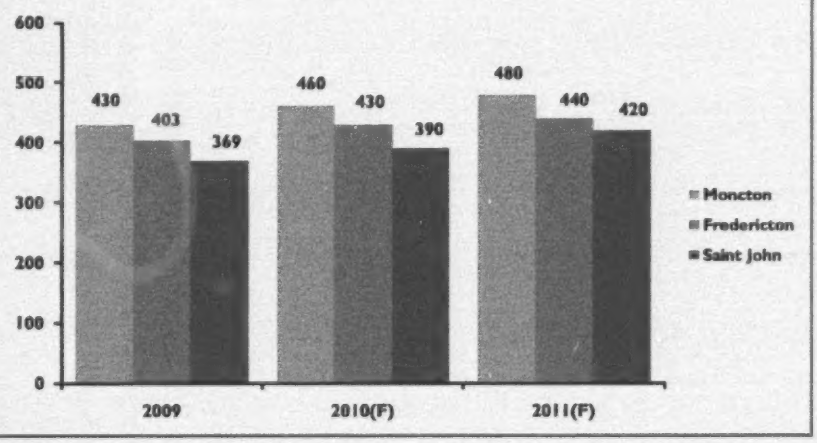
Employment Outlook to Support Housing Demand

Last year, growth in New Brunswick's resource-based economy was impacted by a downturn in global demand for commodities. The resulting decline in exports had a negative impact on the province's manufacturing and transportation sectors. The energy sector, which is mainly concentrated in the Saint John area, saw minimal growth in 2009, due in part to low natural gas prices and the decision not to move ahead with some large-scale capital projects. Although the largest economic impact was undoubtedly felt in the port city in 2009, other areas of the province were also affected. Ongoing challenges in the forestry sector - a long time mainstay of the provincial

Figure 1

Single Starts - Moncton, Fredericton and Saint John



Source : CMHC

Table of Contents

1 Employment Outlook to Support Housing Demand

2 Mortgage Rates

3 Residential Construction to Rebound in 2010

3 Resale Market Resilient in Large Urban Centres

4 Vacancy Rates to Decline in Some Provincial Centres

5 Forecast Summary

8 CMHC - Home to Canadians

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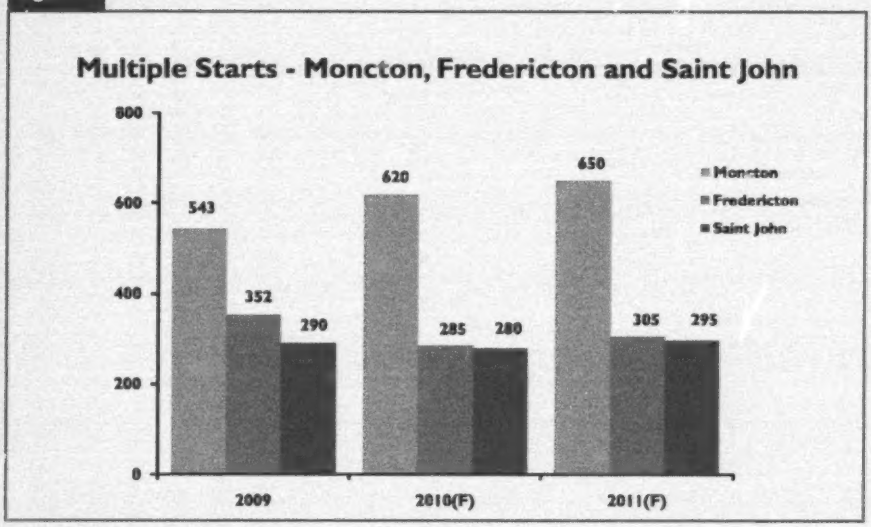
Figure 2



Source : CMHC

economy - will continue to impede economic growth in 2010.

Despite lingering economic uncertainty, the long term outlook for New Brunswick remains positive. The 2009-2010 provincial budget, which focused on job creation, set aside $1.2 billion for infrastructure programs and support to New Brunswick businesses. In the 2010-2011 provincial budget, new investments in strategic infrastructure have increased that amount to $1.6 billion. Of particular note, several large-scale projects will provide economic stimulus and job creation once underway. In the near term, the return of sustained economic expansion will rely heavily on both public and private sector capital investment.

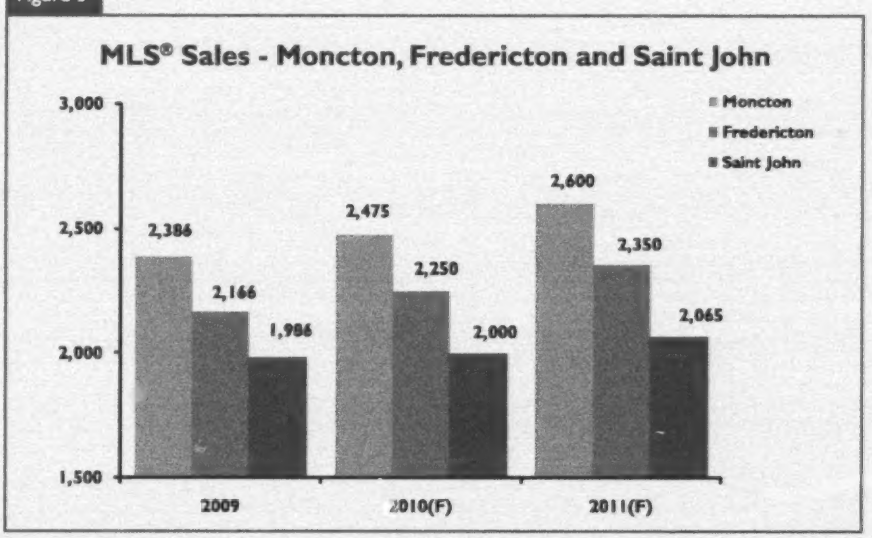
Employment in New Brunswick's three large urban centres reached record levels in 2009, resulting in positive net-migration in both Moncton and Fredericton, as each centre's service-based economy continued to attract people. In comparison, in-migration has been muted in Saint John during the past decade, a trend which is not expected to change in 2010. Employment levels in provincial urban centres are expected to remain flat in 2010, with the potential for a moderate decline from the recent record highs; however, this should not significantly affect the housing market. Provincial housing starts are expected to reach 3,590 units in 2010, with an increase ranging between one and three per cent expected in 2011.

Mortgage Rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the Overnight Rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year

Figure 3



Source : Canadian Real Estate Association (CREA), CMHC Forecast
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posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Residential Construction to Rebound in 2010

Residential housing starts in Greater Moncton, after the first three months of 2010, were nearly double the level recorded during the same period in 2009. This result was not unexpected, as last year, total starts in Greater Moncton were at their lowest level since 2001. Semi-detached starts, which have accounted for approximately 30 per cent of total starts in the region during the last five years, were down in 2009 after a decade of robust growth. This decline was in part due to higher levels of inventory, particularly in 2008 and early 2009. With continued demand and reduced supply, semi-detached starts are expected to remain stable in 2010. In the rental market, apartment starts are expected to rebound in 2010 after seeing a low level of activity in 2009. With positive results expected for both housing types, expect a moderate increase in multiple starts in both 2010 and 2011. A similar trend is expected in the single-detached home market: look for single starts to climb to 460 units in 2010, followed by a further increase to 480 units in 2011.

In Saint John, residential construction during the winter months has not kept pace with last year's first quarter performance due primarily to a reduction in apartment starts. Following the completion of several large energy projects, the surge in activity in the local energy sector observed in recent years is winding down, with no new projects forecasted in the short term. As a result, rental unit demand is not expected to rise over the forecast period leading to a moderate decline in multiple starts for 2010. Similarly, demand for single-detached homes will remain stable in Saint John. Market conditions will remain favourable for consumers in 2010. Single starts are expected to reach 390 units by the end of the year, with a further increase to 420 units anticipated in 2011.

The new home market was strong in Fredericton in 2009, as the Capital region posted the only year-over-year increase in total housing starts due to advances in apartment starts. Although the vacancy rate in Fredericton declined to 2.3 per cent last fall - the lowest level since 2003 - the rapid pace of apartment unit construction observed last year is not expected to continue in 2010. Since apartment units account for the majority of multi-unit dwellings in Fredericton, a decline in multiple starts to 285 units is expected in 2010, to be followed by a moderate rebound in 2011. In contrast, following reduced activity in 2009, single starts should rise to 430 units in 2010, with minimal changes expected in 2011.

Resale Market Resilient in Large Urban Centres

New Brunswick's provincial capital was the only large urban centre in the province in 2009 to record a year-over-year increase in MLS® sales. Thus far in 2010, the positive trend has remained, with Fredericton posting the largest year-over-year increase in first quarter MLS® sales. Over the forecast period, sales are expected to remain strong, rising between three and five per cent by the end of 2010, with a similar increase anticipated in 2011. During the first three months of 2010, price growth in Fredericton has led the province, indicating healthy demand for existing homes. This is further confirmed by the minimal change in the average number of days required to sell a home in Greater Fredericton during this period. For 2010 and 2011, expect the average MLS® sale price to reach $166,500 and $174,000, respectively.

After the first three months of 2010, Greater Moncton posted the highest volume of MLS® sales in the province. Compared to last year, first quarter sales were 15 per cent higher, a rebound that was expected after the province's largest resale market posted its second consecutive annual decline in 2009. This year, MLS® sales in Greater Moncton are expected to rise to 2,475 units by the end of the year. In 2011, the upward trend is expected to continue, with sales reaching 2,600 units.

After the first three months of the year, new listings are ahead of last year's pace, providing ample choice for potential homebuyers. With limited growth in demand, the increased supply of available homes in the first quarter has increased the number of days required to sell the average listing in Greater Moncton. It has also limited price growth to less than three per cent. Price growth is expected to range between three and five per cent in 2010 and 2011, with the average price rising to $155,500 in 2010.

Existing home sales have rebounded in Saint John during the winter months. This trend is expected to continue to the end of the year. Sales growth in 2010, although positive, will likely remain below one per cent. MLS® sales are expected to reach 2,000

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units in 2010, with a further increase to 2,065 in 2011.

Saint John has consistently posted the highest average resale price in New Brunswick in recent years, including 2009. Although sales growth will be modest in both 2010 and 2011, the average MLS® sale price is expected to remain the highest in the province, rising to $175,500 by the end of this year, with a subsequent increase to $179,000 in 2011.

Vacancy Rates to Decline in Some Provincial Centres

In 2009, apartment starts in Greater Moncton were less than half the total recorded in the previous year. With fewer new units added to the local rental universe in the latter part of 2009 and in 2010, the vacancy rate will decline, ranging between 2.8 and 3.3 per cent in 2010. Meanwhile, upward pressure on the vacancy rate should be limited in Saint John, due to negligible in-migration. Expect the vacancy rate to range between 3.5 and 4.0 per cent in both 2010 and 2011. In Fredericton, a surge in apartment starts in 2009 will result in a rapid expansion of the local rental universe as new units become available. As a result, expect the local vacancy rate to be between 3.0 and 3.5 per cent in 2010, with a further increase anticipated in 2011. In all of the province's three major urban areas, expect the average rent for a two-bedroom unit to increase by between two and three per cent in both 2010 and 2011.

Forecast Summary Saint John CMA Spring 2010	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,253	2,166	1,986	2,000	0.7	2,065	3.3
MLS® New Listings	3,391	3,621	4,289	4,100	-4.4	3,750	-8.5
MLS® Average Price ($)	140,544	158,117	171,027	175,500	2.6	179,000	2.0
New Home Market							
Starts:							
Single-Detached	412	488	369	390	5.7	420	7.7
Multiples	275	344	290	280	-3.4	295	5.4
Starts - Total	687	832	659	670	1.7	715	6.7
Average Price ($):							
Single-Detached	231,880	247,921	282,652	275,000	-2.7	290,000	5.5
Median Price ($):							
Single-Detached	225,000	244,900	251,000	250,000	-0.4	257,500	3.0
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	0.9	2.5	3.3	1.2	-	1.0	-
Rental Market							
October Vacancy Rate (%)	5.2	3.1	3.6	3.8	0.2	4.0	0.2
Two-bedroom Average Rent (October) ($)	570	618	644	665	-	685	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	66,000	65,000	67,300	67,000	-0.4	65,750	-1.9
Employment Growth (%)	6.6	-1.5	3.5	-0.4	-	-1.9	-
Unemployment rate (%)	4.9	6.2	5.7	6.0	-	5.8	-
Net Migration (N.B.)	693	1,031	1,815	2,075	14.3	1,400	-32.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Moncton CMA Spring 2010	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,849	2,663	2,386	2,475	3.7	2,600	5.1
MLS® New Listings	4,464	4,590	4,195	4,200	0.1	4,000	-4.8
MLS® Average Price ($)	140,032	143,173	150,135	155,500	3.6	163,000	4.8
New Home Market							
Starts:							
Single-Detached	655	566	430	460	7.0	480	4.3
Multiples	770	793	543	620	14.2	650	4.8
Starts - Total	1,425	1,359	973	1,080	11.0	1,130	4.6
Average Price ($):							
Single-Detached	208,653	217,173	226,921	222,500	-1.9	230,000	3.4
Median Price ($):							
Single-Detached	199,900	199,900	209,900	205,000	-2.3	210,000	2.4
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	0.9	2.5	3.3	1.2	-	1.0	-
Rental Market							
October Vacancy Rate (%)	4.3	2.4	3.8	3.0	-0.8	3.5	0.5
Two-bedroom Average Rent (October) ($)	643	656	675	695	-	720	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	69,500	72,900	73,200	73,900	1.0	73,500	-0.5
Employment Growth (%)	0.4	4.9	0.4	1.0	-	-0.5	-
Unemployment rate (%)	4.8	5.3	6.2	6.2	-	6.0	-
Net Migration (N.B.)	693	1,031	1,815	2,075	14.3	1,400	-32.5

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NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Fredericton CA Spring 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,448	2,160	2,166	2,250	3.9	2,350	4.4
MLS® New Listings	4,547	4,751	4,406	4,400	-0.1	4,250	-3.4
MLS® Average Price ($)	141,117	152,268	159,219	166,500	4.6	174,000	4.5
New Home Market							
Starts:							
Single-Detached	432	475	403	430	6.7	440	2.3
Multiples	204	223	352	285	-19.0	305	7.0
Starts - Total	636	698	755	715	-5.3	745	4.2
Average Price ($):							
Single-Detached	207,781	225,002	245,269	250,000	1.9	265,000	6.0
Median Price ($):							
Single-Detached	199,000	219,000	239,000	239,000	0.0	245,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	0.9	2.5	3.3	1.2	-	1.0	-
Rental Market							
October Vacancy Rate (%)	6.5	4.3	2.3	3.2	0.9	3.8	0.6
Two-bedroom Average Rent (October) ($)	701	697	719	740	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	49,850	49,500	51,800	51,250	-1.1	51,000	-0.5
Employment Growth (%)	6.8	-0.7	4.6	-1.1	-	-0.5	-
Unemployment rate (%)	4.8	4.6	5.5	6.1	-	6.0	-
Net Migration (N.B.)	693	1,031	1,815	2,075	14.3	1,400	-32.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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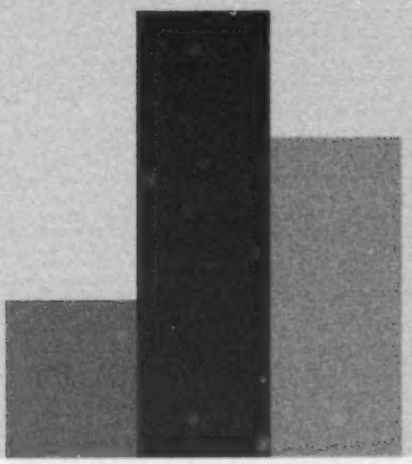

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